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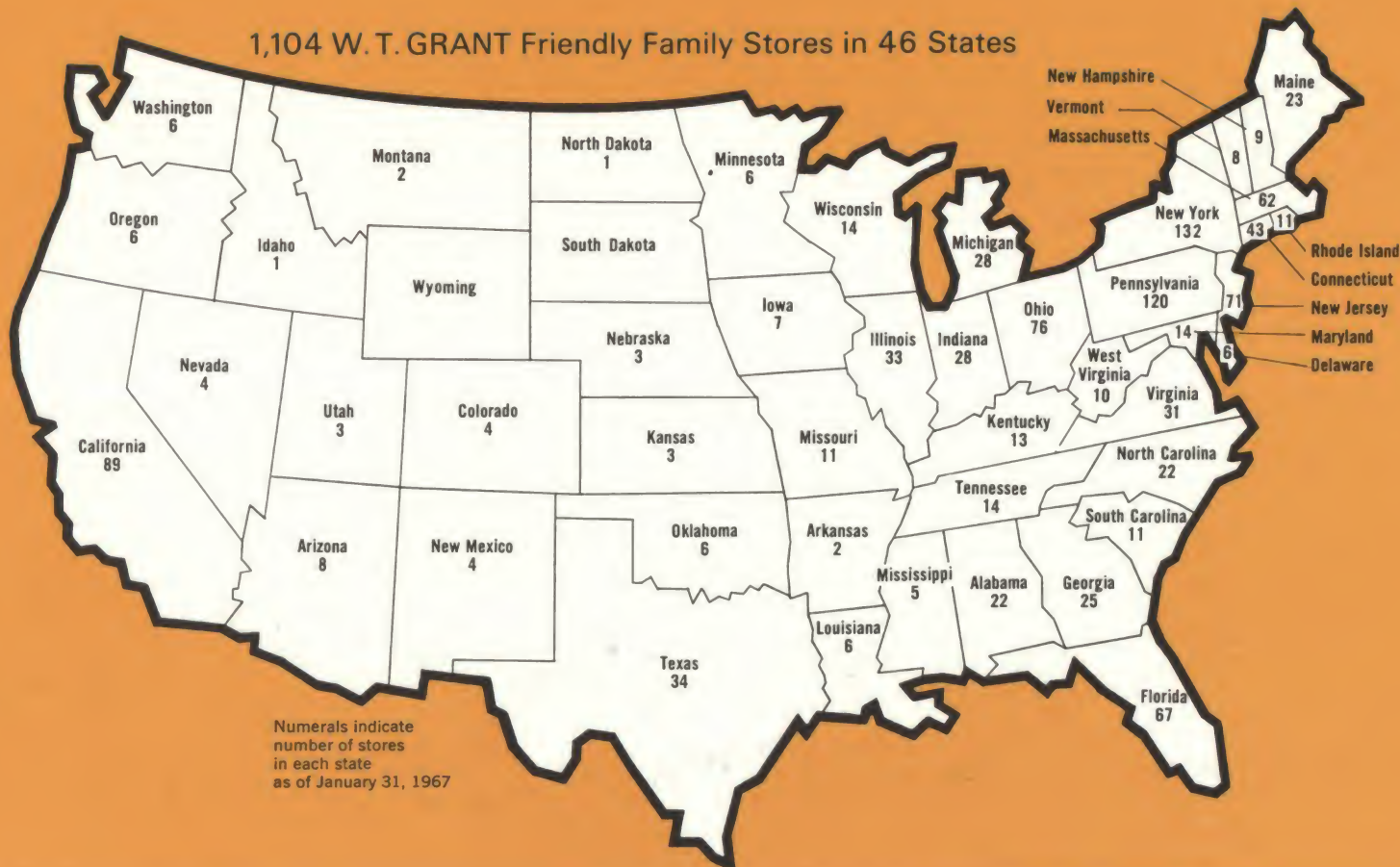


**W. T. GRANT COMPANY**

Annual Report 1966



## 1,104 W. T. GRANT Friendly Family Stores in 46 States



## The W. T. Grant Company

### A BRIEF DESCRIPTION

The first W. T. Grant Company store was opened sixty years ago at Lynn, Massachusetts. On January 31, 1967 the Company was operating 1,104 general merchandise stores in 46 states. In addition, there were five major distribution centers servicing the stores.

The stores are family type stores selling merchandise lines for women, for men, for children, and for the home.

Customers may charge their purchases at all stores and select any of three convenient payment plans. Credit sales accounted for 23% of total sales for the year 1966.

Total sales in 1966 were \$920,797,000, the seventeenth consecutive record high year. The Company has had a sales increase in 57 of its 60 years.

The Company has earned a profit and has paid dividends in every year of its history.

The Company is maintaining a steady program of growth. In recent years, there has been a rapid increase in the size of the average store opened. These

newer stores are complete promotional department stores offering large merchandise assortments and services.

The Company employed an average of 53,500 people during the year, with a peak of approximately 65,700 in December.

At January 31, 1967, the Company's capitalization included 150,000 shares of 3¾% preferred stock held by 650 stockholders, and 12,383,422 shares of common stock held by 17,560 stockholders.

The Company has long term debt that consists of \$35,000,000 of 4¾% Sinking Fund Debentures due January 1, 1987, and \$35,000,000 of 4% Convertible Subordinated Debentures due June 1, 1990.

The Company has a wholly owned subsidiary, the W. T. Grant Credit Corporation, that was organized in January, 1966 to purchase customers' installment accounts from the Company.

In addition to its domestic operations, the Company owns 51% of the common stock of Zeller's Ltd., a Canadian chain operating 110 stores similar to Grant stores, with 1966 sales of \$117,150,000.

# W. T. Grant Company

FOUNDED IN 1906 AT LYNN, MASS.

EXECUTIVE AND BUYING OFFICES

1441 BROADWAY, NEW YORK, N. Y. 10018

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WILLIAM T. GRANT—*Honorary Chairman of the Board*

## DIRECTORS

JAMES G. KENDRICK	EDWARD STALEY
MICHAEL F. KETZ	<i>Chairman</i>
PETER KILBURN	JOHN G. BYLER
JOSEPH A. LIVOLSI	JOSEPH W. CHINN
LOUIS C. LUSTENBERGER	JOHN G. CURTIN
RICHARD W. MAYER	HOWLAND S. DAVIS
CLARENCE J. MYERS	HOWARD E. EADES
DEWITT PETERKIN, JR.	RAYMOND H. FOGLER
DR. CHARLES F. PHILLIPS	JOHN D. GRAY
REGINALD W. ROSEVEAR	THOMAS P. JERMAN
ASA T. SPAULDING	

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## OFFICERS

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*Chairman of the Board*

LOUIS C. LUSTENBERGER  
*President*

HOWARD E. EADES  
*Vice President and  
Assistant to the President*

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*Financial Vice President  
and Treasurer*

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*Personnel Vice President*

JOSEPH A. LIVOLSI  
*Store Management  
Vice President*

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*Sales Vice President*

HARRY E. PIERSON  
*Store Expansion Vice President*

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*Merchandise Vice President*

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*New England Region Vice President*

JAMES F. MCGRATH  
*Southern Region Vice President*

EDWARD G. MILBURN  
*Western Region Vice President*

JOSEPH T. REYNOLDS  
*Eastern Region Vice President*

PHILIP J. RODILOSSO  
*Central Region Vice President*

HERBERT T. WILKINSON  
*Pittsburgh Region Vice President*

ROBERT A. LUCKETT  
*Comptroller*

STANLEY E. ZIMMERMAN  
*Secretary and General Counsel*

ROBERT J. KELLY  
*Assistant Secretary*

ROSALIE A. MULFORD  
*Assistant Treasurer*

EVA M. FABREGAS  
*Assistant Comptroller*

ALLAN E. LOMEN  
*Assistant Comptroller*

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## highlights

	1966	1965
Sales . . . . .	\$920,797,287	\$839,715,457
Net earnings . . . . .	\$ 31,278,219	\$ 31,248,378
Per common share . . . . .	\$2.50	\$2.54
Average number of common shares outstanding . . . . .	12,302,024	12,067,587
Dividends paid per preferred share . . . . .	\$3.75	\$3.75
Dividends paid per common share . . . . .	\$1.10	\$ .80
Total dividends paid . . . . .	\$ 14,090,819	\$ 10,211,090
Earnings retained in the business . . . . .	\$ 17,187,400	\$ 21,037,288
Depreciation and amortization . . . . .	\$ 7,522,530	\$ 6,868,489
Capital expenditures. . . . .	\$ 14,856,000	\$ 7,846,000
Employee compensation and benefits . . . . .	\$193,412,338	\$167,662,647
Cents per sales dollar . . . . .	21.0¢	20.0¢
Merchandise inventories . . . . .	\$174,631,085	\$151,365,361
Working capital . . . . .	\$195,270,255	\$185,016,515
Net fixed assets . . . . .	\$ 48,070,232	\$ 40,367,367
Long term debt . . . . .	\$ 70,000,000	\$ 70,000,000
Book value common stock—per share . . . . .	\$15.27	\$14.00
Number of preferred stockholders . . . . .	650	680
Number of common stockholders . . . . .	17,560	15,285
Number of stores . . . . .	1,104	1,088

### THE STORE GROWTH PROGRAM/1962 THROUGH 1966

	Number of New Stores Opened*	Number of Stores Enlarged*	Average Size of New Stores Opened—Square Feet	Capital Expenditures
1966	51	11	60,500	\$14,856,000
1965	27	13	43,500	7,846,000
1964	31	12	35,500	5,262,000
1963	72	9	29,300	5,750,000
1962	114	7	22,700	7,478,000
Totals	295	52		\$41,192,000

\*The "relocated" classification which had previously been combined with "enlarged" stores has been eliminated and such stores are now included as "new" stores.

## *To The Stockholders:*

The fiscal year ended January 31, 1967 marked the Company's sixtieth year, and one in which several significant records were attained. Sales volume reached an all-time high for the seventeenth successive year; net earnings were slightly above last year's record high level; the Company continued its record of earning a profit and paying dividends in every year of its history; and completed its greatest year of store expansion.

**SALES**—The year's sales were \$920,797,287, or 9.7% above 1965, and included another year of record credit sales of \$215,541,557 that were 13.6% above last year and accounted for 23.4% of total sales.

**NET EARNINGS**—The net earnings for the year totalled \$31,278,219 which, after preferred stock dividends, equalled \$2.50 per common share on 12,302,024 shares, the average number outstanding during the year.

In 1965, net earnings were \$31,248,378, or \$2.54 per common share on 12,067,587 shares, the average number outstanding last year.

All per common share figures throughout this report have been adjusted to reflect the two for one common stock split in April 1966.

The Company has adopted the practice of reporting per common share earnings on the average number of shares outstanding during the year. Formerly, the Company reported per common share earnings on the number of shares outstanding at the year end. For comparative purposes, the 1965 per common share earnings have been accordingly restated.

While the total amount of net earnings were higher for 1966, the per common share earnings for the year are slightly under those of 1965 because more shares were outstanding in 1966, due to additional fully paid-up shares of common stock issued in 1966 under the Employees' Stock Purchase Plan.

Included in this year's net earnings is \$2,071,745, or 17 cents per common share for the increase in undistributed equity in the Company's subsidiaries, Zeller's Limited and the W. T. Grant Credit Corporation. In 1965, this item totalled \$1,186,709 or 10 cents per common share.

**DIVIDENDS**—During 1966, the regular dividends of \$3.75 per share were paid on the preferred stock.

Regular dividends of \$1.10 per share were paid on the common stock. This was a 37% increase over the 80 cents per share paid in 1965.

The 1966 total dividends paid reached a record of

\$14,090,819 which represented 45% of the year's net earnings. In 1965, dividends totalled \$10,211,090, or 33% of net earnings.

**FINANCIAL COMMENTS**—Working capital at year end was \$195,270,255 which compares with \$185,016,515 at the end of 1965.

Merchandise inventories in stores, distribution centers, and in-transit totalled \$174,631,085, or 15.4% above the \$151,365,361 of last year. The major portion of the increase in inventories is in new and enlarged stores and distribution centers.

The wholly-owned W. T. Grant Credit Corporation which started operations in January 1966 had a good performance in its first full fiscal year. Its financial statements are included in this annual report.

At the year end, the Company's installment receivables were \$237,068,081 of which \$128,568,421 had been sold to the Credit Corporation, and the balance of \$108,499,660 was owned by the Company. At the end of 1965, the receivables totalled \$176,610,092, of which \$65,410,526 had been sold to the Credit Corporation, and the balance of \$111,199,566 was owned by the Company.

The Company's total interest expense in 1966 was \$9,055,147, a sizable increase over the \$4,845,956 spent in 1965. The increase is principally attributable to the larger amounts of customers' installment accounts sold in 1966 and the higher interest rates that prevailed during the year.

**GROWTH PROGRAM**—The 1966 program was the largest in the Company's history measured in terms of space added by new and enlarged stores and total capital expenditures.

During the year, 51 new shopping center and free standing stores were opened, which includes 10 stores that were relocated in larger quarters. In addition, 11 stores were enlarged. Last year, 27 new stores including one relocation, and 13 enlarged stores were opened. The average size of the 1966 new stores was 39% larger than the 1965 average.

It is significant that the 51 new and the 11 enlarged stores opened in 1966, as a group, turned in an operating profit for the year, and thereby more than offset their preopening costs.

In 1966, the Company permanently closed 35 stores, of which 10 were replaced by larger relocated stores; 14 were downtown stores; and 11 were shopping center stores.

At the year end, there were 1,104 stores, including 781 in shopping centers or free standing. A year ago, there were 1,088 stores including 751 in shopping centers or free standing.

Capital expenditures reached a new high of \$14,856,000 compared with \$7,846,000 in 1965.

While the recent money market conditions have postponed some stores planned for 1967, it is currently estimated that we will open from 25 to 30 new shopping center and free standing stores and enlarge about 15 stores. The current estimate for 1967 capital expenditures is \$11,500,000.

Beyond 1967, the Company plans to continue a steady program of growth with new and larger stores.

**PERSONNEL AND ORGANIZATION** — At the year end, there were approximately 51,300 employees compared to 46,600 a year ago.

Salaries and wages, social security taxes, retirement plan contributions, and all other benefits totalled \$193,412,338 or 21.0% of sales in 1966. This compares with \$167,662,647 or 20.0% of sales in 1965. Included in these totals are social security taxes of \$9,823,849 for 1966 and \$8,024,519 for 1965.

In 1966, the Company's growth program continued to offer exceptional opportunities to its people, making possible the promotion of 198 assistant store managers to store management, and the promotion of 402 store managers to larger stores and other executive positions. At the year end, there were 1,333 men-in-training for future store management and other executive positions.

During the year, several important changes in the Company's management organization were announced.

Mr. William T. Grant, the founder of the Company, on the occasion of his ninetieth birthday on June 27, 1966, resigned as a Director and Chairman of the Board of the Company. After accepting the resignation of Mr. Grant with reluctance and regret, the Board elected him Honorary Chairman of the Board for life. Edward Staley, formerly Vice Chairman of the Board, was elected Chairman of the Board.

In October 1966, Harry E. Pierson who had been President of Pacific Coast Properties, Inc. since 1960, and prior to this, a Grant Company real estate attorney and negotiator, was elected Store Expansion Vice President.

Effective January 1, 1967, Howard E. Eades, who was Research and Personnel Vice President, was elected Vice President and Assistant to the President. John J. LaPlante, who was Personnel Director, was elected Personnel Vice President.

Effective February 1, 1967, James G. Kendrick, formerly Sales Vice President, was elected President and Chief Executive Officer of Zeller's Limited. Richard W. Mayer, Financial Vice President and Treasurer was elected Sales Vice President; and John G. Curtin, formerly President of Zeller's Limited, was elected Financial Vice President and Treasurer of the Company.

In addition to the foregoing, Messrs. Mayer and Curtin were elected Directors of the Company; Robert A. Luckett was elected Comptroller; and Miss Eva M. Fabregas was elected Assistant Comptroller.

Michael F. Ketz, who had been Financial Vice President, retired on February 1, 1967 after a 39 year career with the Company. Mr. Ketz will continue as a Director.

These changes in organization involve both the re-alignment of functions and the promotion of younger executives to positions of greater responsibility, and are designed to provide continuity of management which will benefit the Company in the years to come.

**ZELLER'S LIMITED** — Zeller's, the Canadian affiliate with 110 stores, which is 51% owned by the Grant Company, had the best year in its 34 year history. Its 1966 sales and net earnings reached new records for the third successive year.

The 1966 sales were \$117,150,153 or 13.9% above the preceding year.

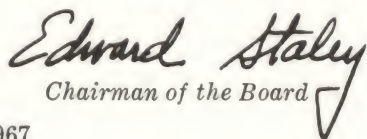
The year's net earnings were \$4,837,816, or \$1.51 per common share. In 1965, net earnings were \$4,261,532, or \$1.33 per common share.

In 1966, Zeller's increased its quarterly common stock dividend to 15 cents from the 12½ cents per share paid in 1965. The quarterly common stock dividend payable in May 1967 has been increased to 17½ cents a share. This is the fourth successive year of common stock dividend increases.

The above amounts are in Canadian dollars.

In completing its sixtieth year, the Company is most grateful to its employees, suppliers, and customers for their loyalty and contributions to its performance throughout the years. We welcome the additional new stockholders and value highly the continuing confidence of our other stockholders.

The new year began amid uncertain economic conditions and with some softening of retail sales. In spite of these early indications, we believe the Company is in good position to take advantage of the opportunities the new year offers.

  
Chairman of the Board

  
President

March 22, 1967

# statement of operations / W. T. GRANT COMPANY

Year ended January 31,

	1967	1966
SALES . . . . .	\$920,797,287	\$839,715,457
Income from concessions . . . . .	2,249,484	1,614,119
	<u>\$923,046,771</u>	<u>\$841,329,576</u>
Cost of merchandise sold, buying and occupancy costs	631,585,305	578,071,903
	<u>\$291,461,466</u>	<u>\$263,257,673</u>
Selling, general and administrative expenses . . . . .	228,433,417	202,007,665
	<u>\$ 63,028,049</u>	<u>\$ 61,250,008</u>
ADD:		
Dividends received from Zeller's Limited . . . . .	837,233	686,328
Interest earned . . . . .	100,630	238,322
Other income . . . . .	110,889	73,586
	<u>\$ 1,048,752</u>	<u>\$ 998,236</u>
	<u>\$ 64,076,801</u>	<u>\$ 62,248,244</u>
DEDUCT:		
Interest expense . . . . .	9,055,147	4,845,956
Other deductions . . . . .	615,180	440,619
	<u>\$ 9,670,327</u>	<u>\$ 5,286,575</u>
EARNINGS BEFORE FEDERAL INCOME TAXES . . . . .	<u>\$ 54,406,474</u>	<u>\$ 56,961,669</u>
PROVISION FOR FEDERAL INCOME TAXES—Note C:		
Current . . . . .	13,541,000	1,413,500
Deferred . . . . .	11,659,000	25,486,500
	<u>\$ 25,200,000</u>	<u>\$ 26,900,000</u>
NET EARNINGS BEFORE SUBSIDIARIES . . . . .	<u>\$ 29,206,474</u>	<u>\$ 30,061,669</u>
INCREASE IN UNDISTRIBUTED EQUITY IN SUBSIDIARIES:		
Zeller's Limited . . . . .	1,072,972	1,172,301
W. T. Grant Credit Corporation . . . . .	998,773	14,408
	<u>\$ 31,278,219</u>	<u>\$ 31,248,378</u>
DEDUCT:		
Cash Dividends:		
On 3¾% Cumulative Preferred Stock:		
Four quarterly dividends of 93¾¢ each per share	562,506	562,506
On Common Stock:		
Four quarterly dividends of 27½¢ and 20¢, respectively, each per share . . . . .	13,528,313	9,648,584
TOTAL DIVIDENDS . . . . .	<u>\$ 14,090,819</u>	<u>\$ 10,211,090</u>
EARNINGS FOR THE YEAR RETAINED FOR USE IN THE BUSINESS . . . . .	<u>\$ 17,187,400</u>	<u>\$ 21,037,288</u>
ADD:		
Earnings of prior years retained for use in the business	132,061,885	111,024,597
ACCUMULATED EARNINGS RETAINED FOR USE IN THE BUSINESS AT END OF THE YEAR . . . . .	<u>\$149,249,285</u>	<u>\$132,061,885</u>

(See notes to financial statements.)

# W. T. Grant Company

January 31,

ASSETS	1967	1966
<b>CURRENT ASSETS</b>		
Cash . . . . .	\$ 32,511,080	\$ 22,558,641
Short term securities . . . . .	4,996,299	—
Accounts receivable:		
Customers' installment accounts not sold . . . . .	108,499,660	111,199,566
Equity in customers' installment accounts (\$128,568,421 and \$65,410,526, respectively) sold . . . . .	<u>6,428,421</u>	<u>3,270,526</u>
	\$114,928,081	\$114,470,092
Less allowance for doubtful accounts . . . . .	<u>9,382,701</u>	<u>7,065,109</u>
	\$105,545,380	\$107,404,983
Other accounts receivable, claims, etc. . . . .	<u>4,759,484</u>	<u>3,538,376</u>
Total accounts receivable, net . . . . .	\$110,304,864	\$110,943,359
Merchandise inventories (including merchandise in transit)— at the lower of cost or market determined principally by the retail inventory method . . . . .	<u>174,631,085</u>	<u>151,365,361</u>
<b>TOTAL CURRENT ASSETS</b> . . . . .	<b>\$322,443,328</b>	<b>\$284,867,361</b>
<b>OTHER ASSETS</b>		
Investment in W. T. Grant Credit Corporation, at equity— Note A . . . . .	26,013,181	25,014,408
Investment in Zeller's Limited, at equity—Note A . . . . .	12,191,603	10,849,518
Cash surrender value of life insurance . . . . .	2,599,404	2,555,111
Sundry receivables and deposits . . . . .	<u>537,546</u>	<u>500,501</u>
<b>TOTAL OTHER ASSETS</b> . . . . .	<b>\$41,341,734</b>	<b>\$ 38,919,538</b>
<b>COMMON STOCK OF W. T. GRANT COMPANY</b>		
At cost, held for Deferred Contingent Compensation Plan (125,100 and 107,800 shares, respectively)—Note B . . . . .	1,663,803	1,222,333
<b>STORE PROPERTIES, FIXTURES, AND IMPROVEMENTS— on the basis of cost</b>		
Buildings . . . . .	354,106	191,910
Furniture and fixtures . . . . .	78,800,927	69,218,549
Improvements to leased properties . . . . .	<u>11,527,159</u>	<u>11,588,745</u>
	\$ 90,682,192	\$ 80,999,204
Less allowance for depreciation and amortization . . . . .	<u>43,238,148</u>	<u>40,783,025</u>
	\$ 47,444,044	\$ 40,216,179
Land . . . . .	<u>626,188</u>	<u>151,188</u>
<b>TOTAL STORE PROPERTIES, FIXTURES, AND     IMPROVEMENTS.</b> . . . . .	<b>\$ 48,070,232</b>	<b>\$ 40,367,367</b>
PREPAID TAXES, RENTS AND INSURANCE, SUPPLIES, ETC. . . . .	2,649,672	2,602,636
UNAMORTIZED DEBT EXPENSE . . . . .	<u>849,381</u>	<u>905,245</u>
	<u><b>\$417,018,150</b></u>	<u><b>\$368,884,480</b></u>



# statement of financial position

January 31,

LIABILITIES, RESERVES, AND CAPITAL	1967	1966
<b>CURRENT LIABILITIES</b>		
Accounts payable:		
Trade and sundry . . . . .	\$ 33,944,690	\$ 35,361,515
Managers bonuses . . . . .	5,844,316	5,535,603
Executives, buyers, and supervisors bonuses . . . . .	4,437,813	4,466,941
Payroll taxes and taxes withheld from employees compensation . . . . .	2,139,485	3,047,705
	<u>\$ 46,366,304</u>	<u>\$ 48,411,764</u>
Accrued expenses:		
Taxes other than federal income taxes . . . . .	5,250,826	3,246,632
Rent, salaries and wages, etc. . . . .	15,060,524	11,618,559
	<u>\$ 20,311,350</u>	<u>\$ 14,865,191</u>
Federal income taxes—Note C . . . . .	60,495,419	36,573,891
<b>TOTAL CURRENT LIABILITIES . . . . .</b>	<b>\$127,173,073</b>	<b>\$ 99,850,846</b>
LONG TERM DEBT—Note D. . . . .	70,000,000	70,000,000
DEFERRED FEDERAL INCOME TAXES—Note C . . . . .	7,033,997	6,269,102
<b>RESERVES</b>		
For uninsured risks . . . . .	1,500,000	1,500,000
For repainting stores . . . . .	2,040,000	2,046,460
For deferred contingent compensation . . . . .	1,408,892	1,238,377
<b>TOTAL RESERVES . . . . .</b>	<b>\$ 4,948,892</b>	<b>\$ 4,784,837</b>
<b>CAPITAL—Notes A, B, D, and E:</b>		
Capital Stock		
Cumulative Preferred—\$100 par value:		
Authorized 250,000 shares		
Issued 150,000 shares of 3¾% series . . . . .	15,000,000	15,000,000
Common—\$1.25 par value:		
Authorized 22,500,000 shares		
Issued 12,508,522 and 12,300,112 shares, respectively . . . . .	15,635,653	15,375,140
Capital paid-in in excess of par value of shares issued . . . . .	27,153,638	24,710,165
Amounts paid by officers and employees under purchase contracts for 816,670 and 774,200 shares, respectively, of unissued Common Stock . . . . .	823,612	832,505
	<u>\$ 43,612,903</u>	<u>\$ 40,917,810</u>
Earnings retained for use in the business . . . . .	149,249,285	132,061,885
<b>TOTAL CAPITAL . . . . .</b>	<b>\$207,862,188</b>	<b>\$187,979,695</b>
LONG TERM LEASES AND CONTINGENT LIABILITY—Note F	<u>\$417,018,150</u>	<u>\$368,884,480</u>

(See notes to financial statements.)

# W. T. Grant Credit Corporation

## STATEMENT OF FINANCIAL POSITION

### ASSETS

#### CURRENT ASSETS

	January 31, 1967	January 31, 1966
Customers' installment accounts purchased from W. T. Grant Company . . . . .	\$128,568,421	\$ 65,410,526
Less portion of purchase price withheld pending collection . . . . .	6,428,421	3,270,526
	<u>\$122,140,000</u>	<u>\$ 62,140,000</u>
Cash . . . . .	134,113	78,927
Short term securities . . . . .	1,398,979	—
Accounts receivable from W. T. Grant Company . . . . .	—	90,744
Prepaid interest and other expenses . . . . .	557,460	50,294
TOTAL CURRENT ASSETS . . . . .	<u>\$124,230,552</u>	<u>\$ 62,359,965</u>

#### OTHER ASSETS

Furniture and equipment—at cost less allowance for depreciation . . . . .	5,532	4,813
Unamortized organization expense . . . . .	6,729	8,280
	<u>\$124,242,813</u>	<u>\$ 62,373,058</u>

### LIABILITIES AND CAPITAL

#### CURRENT LIABILITIES

Bank loans . . . . .	\$ 10,425,000	\$ 20,618,979
Notes payable . . . . .	87,222,345	16,695,000
Accounts payable . . . . .	579	3,649
Accrued interest and other expenses . . . . .	159,764	27,672
Federal income taxes . . . . .	421,944	13,350
TOTAL CURRENT LIABILITIES . . . . .	<u>\$ 98,229,632</u>	<u>\$ 37,358,650</u>

#### CAPITAL

Common stock—\$10,000 par value: Authorized and issued 2,500 shares . . . . .	\$ 25,000,000	\$ 25,000,000
Earnings retained in the business . . . . .	1,013,181	14,408
TOTAL CAPITAL . . . . .	<u>\$ 26,013,181</u>	<u>\$ 25,014,408</u>
	<u>\$124,242,813</u>	<u>\$ 62,373,058</u>

## STATEMENT OF OPERATIONS

#### INCOME:

	Year Ended Jan. 31, 1967	Period—Jan. 3 Through Jan. 31, 1966
Earnings on investment in customers' installment accounts . . . . .	\$ 5,425,533	\$ 90,744
Other . . . . .	265,299	—
Total Income . . . . .	<u>\$ 5,690,832</u>	<u>\$ 90,744</u>

#### EXPENSES:

Interest . . . . .	3,689,682	59,288
Other . . . . .	80,433	3,698
Total Expenses . . . . .	<u>\$ 3,770,115</u>	<u>\$ 62,986</u>

EARNINGS BEFORE FEDERAL INCOME TAXES . . . . .	\$ 1,920,717	\$ 27,758
FEDERAL INCOME TAXES . . . . .	921,944	13,350
NET EARNINGS . . . . .	<u>\$ 998,773</u>	<u>\$ 14,408</u>

## STATEMENT OF RETAINED EARNINGS

BALANCE BEGINNING OF YEAR . . . . .	\$ 14,408	\$ —
NET EARNINGS FOR THE YEAR . . . . .	998,773	14,408
BALANCE END OF YEAR . . . . .	<u>\$ 1,013,181</u>	<u>\$ 14,408</u>

# notes to financial statements / JANUARY 31, 1967

**Note A**—The Company carries its investment in Zeller's Limited (an approximately 51% owned Canadian subsidiary, cost \$8,004,404) and W. T. Grant Credit Corporation (a wholly-owned subsidiary, cost \$25,000,000) at equity and has included in net earnings its share of the increase in the undistributed equity of those subsidiaries.

**Note B**—The amount charged to earnings for the Deferred Contingent Compensation Plan for the year ended January 31, 1967 was \$246,000.

**Note C**—Gross profits on sales on the installment basis are reflected in the financial statements when the sales are made, whereas, for federal income tax purposes such gross profits are reported as income as collections are received. At January 31, 1967, included as a current liability, there was \$46,371,000 of deferred income taxes applicable to such gross profits.

At January 31, 1967, accumulated depreciation of approximately \$14,654,000 has been deducted for tax purposes in excess of the deduction (using the straight-line method) in the financial statements.

Investment credit totalling approximately \$945,000 has been deducted from the provision for federal income taxes for the year ended January 31, 1967.

Federal income tax returns of the Company have been examined by the Internal Revenue Service through January 31, 1963.

**Note D**—Long-term debt:

4¾% Sinking Fund Debentures dated January 1, 1962 and due January 1, 1987 (annual sinking fund payments of \$1,500,000 beginning January 1, 1969)	\$35,000,000
4% Convertible Subordinated Debentures, dated June 1, 1965 and due June 1, 1990 (annual sinking fund payments of \$1,500,000 beginning June 1, 1975)	35,000,000
	<u>\$70,000,000</u>

As of January 31, 1967, 1,250,000 shares of Common Stock of the Company were reserved for conversion of

the 4% Convertible Subordinated Debentures at the rate of one share of Common Stock for each \$28 principal amount of debentures. Debentures so converted may be applied against sinking fund requirements.

The indentures provide, among other things, for certain limitations with respect to the declaration of cash dividends, acquisition or disposition of capital stock, and the incurrence of long-term indebtedness. At January 31, 1967, approximately \$64,000,000 of earnings retained for use in the business was free for payment of cash dividends.

**Note E**—The 3¼% Cumulative Preferred Stock is redeemable at the Company's option in whole or in part at \$100 per share plus accrued dividends to date of redemption.

At January 31, 1967, 1,230,760 shares of the Company's unissued Common Stock were reserved under the Employee's Stock Purchase Plans. Contracts for the sales of such shares, on a deferred payment basis, are made at approximate market prices at dates of contracts. Shares are issued after completion of payments. In addition to the shares reserved under these Plans, the only other shares of Capital Stock reserved for options, warrants, conversions, and other rights are 1,250,000 shares reserved for conversion of debentures and 125,100 shares of issued Common Stock held for the Deferred Contingent Compensation Plan.

**Note F**—At January 31, 1967, the Company was lessee of real property under 1,124 leases expiring subsequent to January 31, 1970, at aggregate minimum annual rentals of approximately \$34,873,000 (exclusive of taxes and other expenses payable under terms of certain of the leases). This amount includes approximately \$28,686,000 for minimum annual rentals under 898 leases which were on a percentage of sales basis with specified minimum annual rentals, but does not include any amount for 8 leases which were on a percentage of sales basis without any specified minimum annual rentals.

The Company amended its Retirement Plan to provide increased benefits to eligible employees effective January 1, 1966. Based on actuarial estimates, the unfunded liability for past service benefits was approximately \$4,623,000 at January 31, 1967.

## ACCOUNTANTS' REPORT

TO THE BOARDS OF DIRECTORS

W. T. GRANT COMPANY, NEW YORK, N. Y.

AND W. T. GRANT CREDIT CORPORATION, WILMINGTON, DEL.

We have examined the accompanying financial statements of the W. T. Grant Company and the W. T. Grant Credit Corporation for the year ended January 31, 1967. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements of financial position and of operations and retained earnings present fairly the financial position of the W. T. Grant Company and of the W. T. Grant Credit Corporation at January 31, 1967 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period. It is also our opinion that the accompanying combined statement of source and disposition of funds for the W. T. Grant Company and the W. T. Grant Credit Corporation for the year ended January 31, 1967 presents fairly the information shown therein.

March 21, 1967  
New York, N. Y.

ERNST & ERNST

# comparative statement of operations

	(years which end January 31 of subsequent years)				
	1966	1965	1964	1963	1962
SALES . . . . .	\$920,797,287	\$839,715,457	\$769,921,172	\$698,673,072	\$686,262,689
Income from concessions . . . . .	<u>2,249,484</u>	<u>1,614,119</u>	<u>1,351,091</u>	<u>1,114,198</u>	<u>850,775</u>
	\$923,046,771	\$841,329,576	\$771,272,263	\$699,787,270	\$687,113,464
LESS:					
Cost of merchandise sold, buying and occupancy costs . . . . .	631,585,305	578,071,903	536,639,600	493,772,308	484,931,907
Selling, general and administrative expenses . . . . .	<u>228,433,417</u>	<u>202,007,665</u>	<u>189,170,680</u>	<u>179,129,728</u>	<u>180,566,895</u>
	\$ 63,028,049	\$ 61,250,008	\$ 45,461,983	\$ 26,885,234	\$ 21,614,662
ADD:					
Dividends received from Zeller's Limited . . . . .	837,233	686,328	555,569	498,335	501,179
Interest earned . . . . .	100,630	238,322	173,053	148,058	114,794
Other income . . . . .	<u>110,889</u>	<u>73,586</u>	<u>165,073</u>	<u>149,091</u>	<u>24,306</u>
	\$ 64,076,801	\$ 62,248,244	\$ 46,355,678	\$ 27,680,718	\$ 22,254,941
DEDUCT:					
Interest expense . . . . .	9,055,147	4,845,956	4,164,072	4,724,523	3,995,696
Other deductions . . . . .	<u>615,180</u>	<u>440,619</u>	<u>331,606</u>	<u>302,236</u>	<u>295,123</u>
EARNINGS BEFORE FEDERAL INCOME TAXES . . . . .	\$ 54,406,474	\$ 56,961,669	\$ 41,860,000	\$ 22,653,959	\$ 17,964,122
PROVISION FOR FEDERAL INCOME TAXES . . . . .	25,200,000	26,900,000	20,200,000	11,660,000	8,960,000
NET EARNINGS BEFORE SUBSIDIARIES . . . . .	\$ 29,206,474	\$ 30,061,669	\$ 21,660,000	\$ 10,993,959	\$ 9,004,122
INCREASE IN UNDISTRIBUTED EQUITY IN SUBSIDIARIES:					
Zeller's Limited . . . . .	1,072,972	1,172,301	866,003	287,889	81,113
W. T. Grant Credit Corporation . . . . .	<u>998,773</u>	<u>14,408</u>	—	—	—
	\$ 31,278,219	\$ 31,248,378	\$ 22,526,003	\$ 11,281,848	\$ 9,085,235
NET EARNINGS FOR THE YEAR . . . . .					
DEDUCT:					
Preferred dividends . . . . .	562,506	562,506	562,506	562,506	562,507
Common dividends . . . . .	<u>13,528,313</u>	<u>9,648,584</u>	<u>7,109,631</u>	<u>7,048,160</u>	<u>6,997,322</u>
	132,061,885	111,024,597	96,170,731	92,499,549	90,974,143
Earnings of prior years retained in the business . . . . .	<u>\$149,249,285</u>	<u>\$132,061,885</u>	<u>\$111,024,597</u>	<u>\$ 96,170,731</u>	<u>\$ 92,499,549</u>
Accumulated earnings retained, at end of year . . . . .					

# comparative statement of financial position

	(at January 31 of subsequent years)				
	1966	1965	1964	1963	1962
<b>ASSETS:</b>					
Cash . . . . .	\$ 32,511,080	\$ 22,558,641	\$ 30,970,373	\$ 31,424,424	\$ 26,493,815
Short term securities . . . . .	4,996,299	—	7,996,014	4,998,542	—
Accounts receivable—customers' installment accounts (net) . . . . .	105,545,380	107,404,983	54,376,604	27,405,209	4,125,597
Accounts receivable—other . . . . .	4,759,484	3,538,376	2,903,394	2,666,556	2,914,548
Merchandise inventories . . . . .	174,631,085	151,365,361	140,715,930	130,551,578	141,046,594
<b>TOTAL CURRENT ASSETS.</b> . . . . .	<u>322,443,328</u>	<u>284,867,361</u>	<u>236,962,315</u>	<u>197,046,309</u>	<u>174,580,554</u>
Investment in W. T. Grant Credit Corporation, at equity . . . . .	26,013,181	25,014,408	—	—	—
Investment in Zeller's Limited, at equity . . . . .	12,191,603	10,849,518	9,549,534	8,525,522	8,170,205
Cash surrender value of life insurance . . . . .	2,599,404	2,555,111	2,509,656	2,464,139	2,415,184
Sundry receivables and deposits . . . . .	537,546	500,501	549,215	796,142	738,001
Common stock of W. T. Grant Company held for deferred contingent compensation plan, at cost . . . . .	1,663,803	1,222,333	1,036,640	850,857	768,424
Land and buildings (net) . . . . .	895,708	269,693	246,219	472,433	480,147
Furniture and fixtures (net) . . . . .	43,401,425	36,237,088	34,967,593	36,592,084	37,744,657
Improvements to leased properties (net) . . . . .	3,773,099	3,860,586	4,018,502	4,211,382	4,383,112
Prepaid expenses . . . . .	2,649,672	2,602,636	2,531,801	2,376,827	3,889,386
Unamortized debt expense . . . . .	849,381	905,245	432,705	462,374	492,043
<b>TOTAL ASSETS.</b> . . . . .	<u>\$417,018,150</u>	<u>\$368,884,480</u>	<u>\$292,804,180</u>	<u>\$253,798,069</u>	<u>\$233,661,713</u>
<b>LIABILITIES, RESERVES, AND CAPITAL:</b>					
Accounts payable and accrued expenses . . . . .	\$ 66,677,654	\$ 63,276,955	\$ 61,840,983	\$ 53,210,387	\$ 42,585,806
Federal income taxes . . . . .	60,495,419	36,573,891	22,918,915	9,957,271	7,063,676
<b>TOTAL CURRENT LIABILITIES.</b> . . . . .	<u>127,173,073</u>	<u>99,850,846</u>	<u>84,759,898</u>	<u>63,167,658</u>	<u>49,649,482</u>
Long term debt . . . . .	70,000,000	70,000,000	35,000,000	35,000,000	35,000,000
Deferred federal income taxes . . . . .	7,033,997	6,269,102	5,126,000	4,641,000	3,025,000
Reserve for uninsured risks . . . . .	1,500,000	1,500,000	1,500,000	1,400,000	1,400,000
Reserve for repainting stores . . . . .	2,040,000	2,046,460	1,886,830	1,774,644	1,656,165
Reserve for deferred contingent compensation . . . . .	1,408,892	1,238,377	1,020,400	880,967	762,010
<b>CAPITAL:</b>					
Preferred stock . . . . .	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Common stock . . . . .	43,612,903	40,917,810	37,486,455	35,763,069	34,669,507
Earnings retained for use in the business . . . . .	149,249,285	132,061,885	111,024,597	96,170,731	92,499,549
<b>TOTAL LIABILITIES, RESERVES, AND CAPITAL.</b> . . . . .	<u>\$417,018,150</u>	<u>\$368,884,480</u>	<u>\$292,804,180</u>	<u>\$253,798,069</u>	<u>\$233,661,713</u>

# combined statement of source and disposition of income

W. T. GRANT COMPANY AND W. T. GRANT CREDIT CORPORATION

(amounts in 000's)

(years which end January 31 of subsequent years)

WHERE FUNDS CAME FROM	1966	1965	1964	1963	1962
SALES . . . . .	\$920,797	\$839,715	\$769,921	\$698,673	\$686,262
LESS:					
Merchandise costs, supplies, outside services, etc. . .	618,945	567,393	530,790	491,938	496,149
Wages and salaries, including miscellaneous benefits	182,833	159,287	143,901	132,756	123,462
Retirement plan contributions . . . . .	791	352	418	619	875
Social security taxes on payrolls . . . . .	9,825	8,025	7,473	7,430	6,868
Rents to landlords less rentals on subleases . . . .	36,365	33,246	31,542	29,703	27,825
Federal, state and local taxes, excluding social security taxes . . . . .	34,309	34,468	27,139	18,250	15,297
Depreciation and amortization . . . . .	7,524	6,868	6,998	6,983	6,782
NET INCOME FROM OPERATIONS, excluding increase or decrease in equity in Zeller's Limited . . . . .	\$ 30,205	\$ 30,076	\$ 21,660	\$ 10,994	\$ 9,004
Add charges against income which involve no cash outlay:					
Depreciation and amortization . . . . .	7,524	6,868	6,998	6,983	6,782
Net increase in reserves . . . . .	164	378	352	237	215
Deferred federal income tax . . . . .	765	1,143	485	1,616	2,221
From sale of common stock to employees . . . . .	2,695	3,431	1,723	1,094	929
From sale of debentures . . . . .	—	35,000	—	—	—
From sale of land and buildings . . . . .	30	—	219	—	18
From decrease in sundry accounts—net . . . . .	—	—	76	1,435	880
TOTAL FUNDS PROVIDED . . . . .	<u>\$ 41,383</u>	<u>\$ 76,896</u>	<u>\$ 31,513</u>	<u>\$ 22,359</u>	<u>\$ 20,049</u>
<b>HOW FUNDS WERE USED</b>					
For dividends to stockholders . . . . .	\$ 14,091	\$ 10,211	\$ 7,672	\$ 7,611	\$ 7,560
For investment in land and buildings . . . . .	667	31	—	—	—
For investment in furniture and fixtures . . . . .	14,113	7,561	4,807	5,306	7,272
For investment in improvements to leased properties .	477	416	366	346	—
For investment in Zeller's Limited . . . . .	269	128	158	67	42
For purchase of common stock for deferred compensation plan . . . . .	441	186	186	82	136
For increase in sundry accounts—net . . . . .	72	548	—	—	—
Funds added to working capital . . . . .	11,253	57,815	18,324	8,947	5,039
TOTAL FUNDS USED . . . . .	<u>\$ 41,383</u>	<u>\$ 76,896</u>	<u>\$ 31,513</u>	<u>\$ 22,359</u>	<u>\$ 20,049</u>

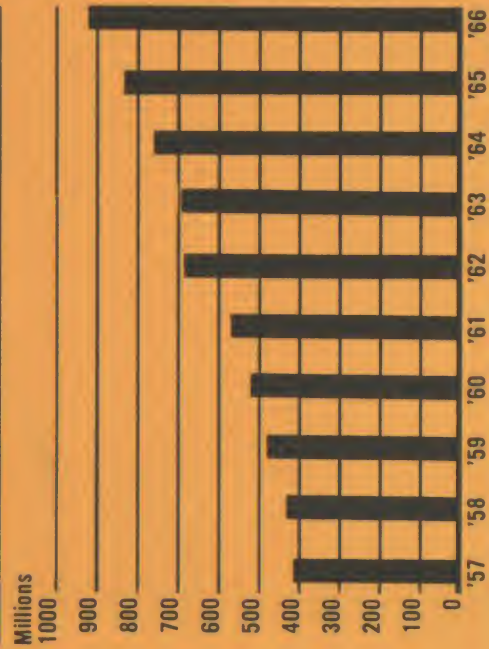
# historical record/1907 THROUGH 1966—Sixty years of growth

(Amounts in 000's)

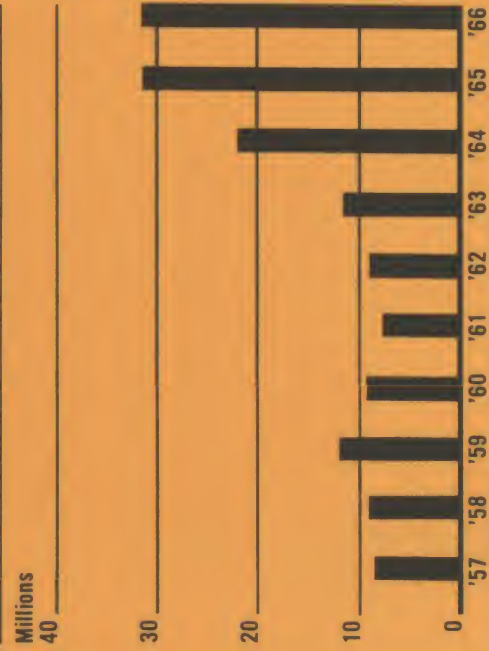
Year	PRE-TAX EARNINGS			NET EARNINGS		DIVIDENDS		WORKING CAPITAL			FIXED ASSETS			NET WORTH		
	No. of Stores	Sales	Total	Per Sales Dollar	Per Share	Total	% of Net	Per Share	Total	% Sales	Total	% Sales	Total	% Earned	Year	
1907	1	\$ 99	\$ 10	9.8¢	\$ .02	\$ 8	81.7	\$ .01	\$ 16	16.5	\$ 3	3.0	\$ —	19	52.6	1907
1917	30	4,511	154	3.4	.02	44	39.5	.01	430	9.5	301	6.7	—	759	14.5	1917
1927	157	43,744	2,754	6.3	.28	569	23.8	.06	5,200	11.9	6,167	14.1	330	11,416	20.9	1927
1937	480	99,060	4,253	4.3	.35	2,353	69.2	.24	18,580	18.8	14,876	15.0	1,540	34,359	9.9	1937
1947	483	228,636	13,862	6.1	.86	4,131	47.6	.38	42,359	18.5	23,128	10.1	4,812	63,462	13.7	1947
1957	691	406,337	18,259	4.5	.92	5,527	56.9	.50	62,273	15.3	37,641	9.3	—	108,305	9.0	1957
1958	739	432,241	20,165	4.7	.93	5,553	56.4	.50	64,037	14.8	37,710	8.7	—	113,193	8.7	1958
1959	801	479,997	25,433	5.3	1.03	6,624	54.0	.60	82,907	17.3	39,239	8.2	—	133,681	9.2	1959
1960	864	512,687	19,016	3.7	.77	7,429	79.3	.60	83,916	16.4	41,174	8.0	—	137,746	6.8	1960
1961	952	574,502	17,119	3.0	.66	7,502	90.9	.60	119,892	20.9	42,135	7.3	35,000	139,715	5.9	1961
1962	1,032	686,262	17,964	2.6	.73	7,560	83.2	.60	124,931	18.2	42,608	6.2	35,000	142,169	6.4	1962
1963	1,081	698,673	22,654	3.2	.91	7,611	67.5	.60	133,879	19.2	41,276	5.9	35,000	146,934	7.7	1963
1964	1,092	769,921	41,860	5.4	1.84	7,672	34.1	.60	152,202	19.8	39,232	5.1	35,000	163,511	13.8	1964
1965	1,088	839,715	56,962	6.8	2.54*	10,211	32.7	.80	185,017	22.0	40,367	4.8	70,000	187,980	16.6	1965
1966	1,104	920,797	54,406	5.9	2.50*	14,091	45.1	1.10	195,270	21.2	48,070	5.2	70,000	207,862	15.0	1966

\* Net earnings per share as indicated for 1965 and 1966 were computed on the basis of the average number of shares outstanding during the year; all other years are based on the number of shares outstanding at the end of the year.

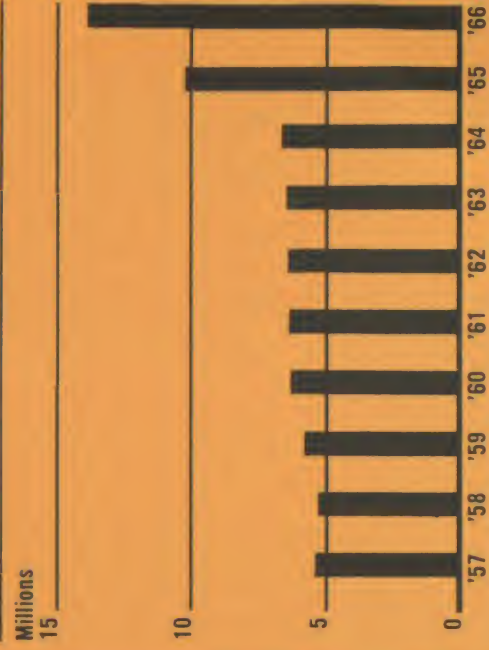
## SALES



## NET EARNINGS



## DIVIDENDS



**W.T. GRANT CO.**

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